

CITY OF FREDERICKSBURG  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

For the Period  
July 1, 2019 through June 30, 2020

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## City of Fredericksburg

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jimmy Mitchell	Mayor	January 2024
Kyle Wendland	Council Member	January 2024
Randy Leach	Council Member	January 2022
Sheriton Dettmer	Council Member	January 2022
Doreen Cook	Council Member	January 2022
Dean Speicher	Council Member	January 2024
Cindy Lantow	City Clerk/ Treasurer	Indefinite
David Skilton	Attorney	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and  
Members of the City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Fredericksburg for the period July 1, 2019 through June 30, 2020. The City of Fredericksburg's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2020 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property of the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

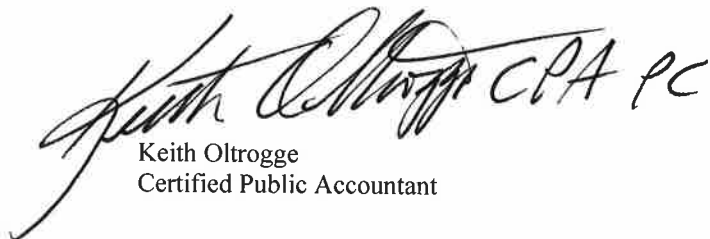
10. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements, or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Fredericksburg, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fredericksburg and other parties to whom the City of Fredericksburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Fredericksburg during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

March 15, 2021

## **Detailed Recommendations**

## City of Fredericksburg

### Detailed Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Repeat Findings – The City’s prior year annual examinations and audits repeatedly contained findings regarding internal control and compliance problems. 10 of the 12 comments reported in the prior year annual examinations and audits are repeated in this report. Both the City’s management and its Officials were aware of the problems. Although management responded to the deficiencies, the repeated findings indicate that management failed to take action and the Officials did not hold management accountable for these plans.

Recommendation – The Officials should implement procedures to follow up on all of the annual examination comments.

- (B) Internal Controls – One of the most important responsibilities of the City is to maintain a system of internal control for efficient operation. The City Council is responsible for making policies and procedures that safeguard City assets, ensuring City financial information is accurate, ensuring employees are complying with laws and regulations pertinent to the City and disciplining employees that choose not to comply with council policies and procedures.

The successful operation of the City’s internal control is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the City Council are being followed. Based on my examination, it appears the City’s internal control structure has several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation – The City Council and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the City to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

- (C) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- 1) Cash – handling, reconciling and recording.
- 2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 4) Payroll – recordkeeping, preparation and distribution.
- 5) Utilities – billing, collecting, depositing and posting.
- 6) Financial reporting – preparing and reconciling.
- 7) Journal entries – preparing and journalizing.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

**City of Fredericksburg**

**Detailed Recommendations**

**For the period July 1, 2019 through June 30, 2020**

- (D) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in 1 of the 9 functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (E) Computer Software – The City uses an accounting software program that does not provide enough detail to adequately safeguard the City from misappropriation of assets.

Recommendation – The City did change software programs, in May 2020, but this did not allow us to have adequate detail for 10 of 12 months examined.

- (F) Annual Financial Report – The debt section of the Annual Financial Report for the year ended June 30, 2020 was not completed. The ending fund balance on the Annual Financial Report did not agree with the City’s financial records.

Recommendation – The City should ensure the Annual Financial Report balances agree with the City’s financial records. The City should ensure the Annual Financial Report is complete and accurate before it is filed.

- (G) Business Transactions – Business transactions between the City and City officials or employees were noted, as follows:

Paid to	Purpose	Amount
Speicher Excavating	Services	\$56,173

In accordance with Chapter 362.5 of the Code of Iowa, these transactions may represent conflicts of interest. Since the total transactions were more than \$6,000 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel, to determine the disposition of this matter.

- (H) Payroll – The City prepared 941’s with the incorrect wages. The 941’s and W-3 did not agree.

Recommendation – The City should implement procedures to ensure wages reported on the 941s are correct.

- (I) Financial Reporting –

- Property taxes not categorized correctly. AFR revenues were incorrect.
- Liquor receipt from July 2019 was not categorized correctly.

Recommendation – The City should establish procedures to properly categorize revenues and correctly report revenues.

**City of Fredericksburg**

**Detailed Recommendations**

**For the period July 1, 2019 through June 30, 2020**

- (J) Annual Financial Report – The beginning balances reported on June 30, 2020, AFR were not properly carried forward in four of the funds.

Recommendation – The City should ensure the Annual Financial Report balances agree with City's financial records. The City should ensure the AFR is complete and accurate before it is filed.

- (K) Delinquent Accounts – The City's delinquent accounts continue to be very high for the current year. The majority of the delinquent amount was from a large company in town.

Recommendation -- The City should establish procedures to collect on accounts and to limit delinquent balances.

- (L) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billing, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.